
Montgomery County: Budget Process & Fiscal Outlook

Office of Management and Budget

November 1, 2010

www.montgomerycountymd.gov/omb

The Budget Process

Budget Process Key Facts

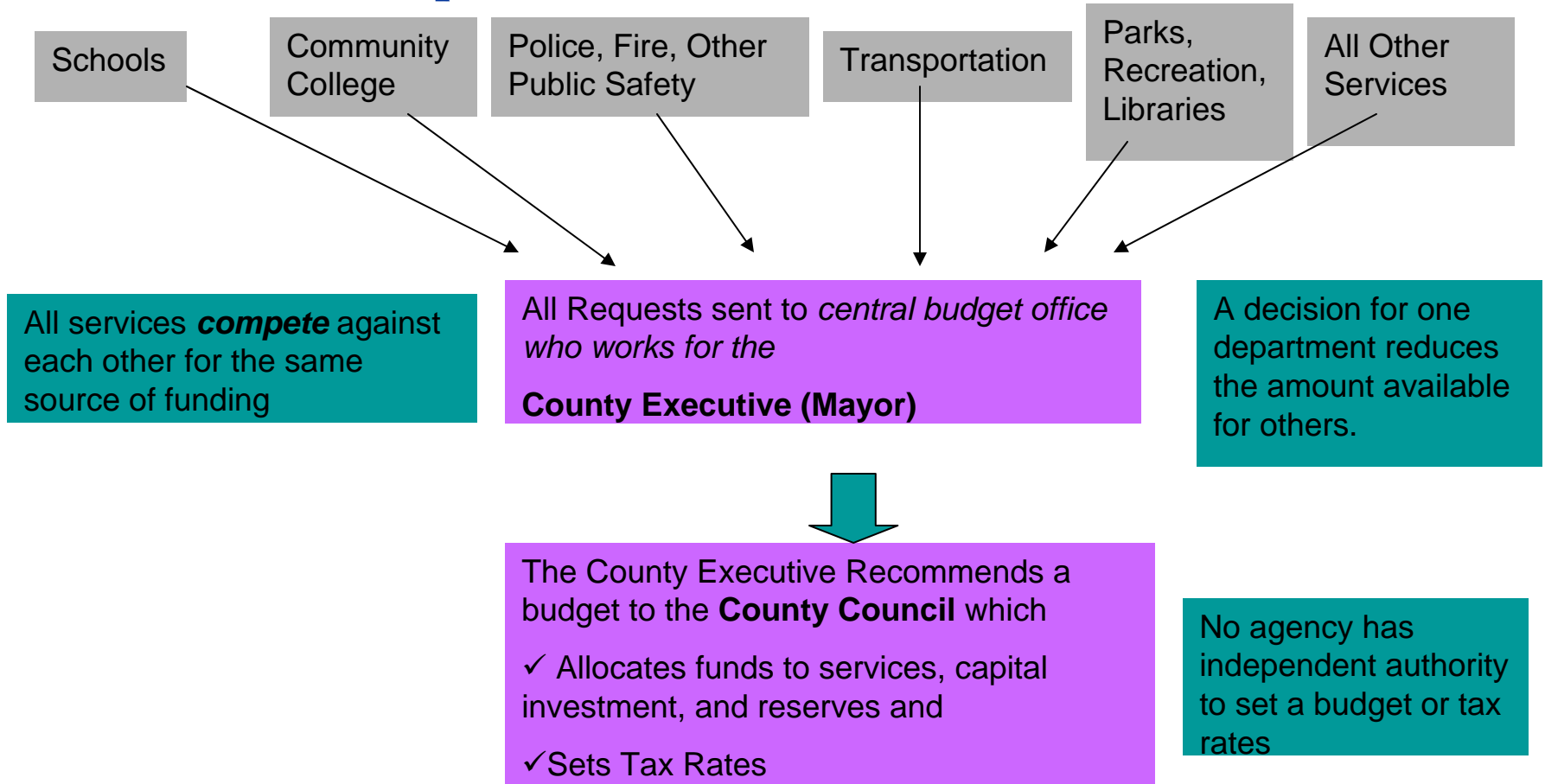
- The County Executive develops and recommends budget proposals; the Council authorizes expenditures and sets tax rates.
- Annual six-year Public Services Plan, Operating Budget, and Capital Budget, and biennial six-year Capital Improvements Plan.
- Capital budget submitted to Council by January 15th; proposed Operating Budget by March 15th.
- Aggregate budget cannot grow more than CPI-U Washington-Baltimore without a minimum of six Council votes.
- Executive veto or reduction of items in Council approved budget.
- 1990 Charter amendment limit on property tax revenues. Charter Limit Budget approved for FY06, FY07, FY08 and FY10. As of 2008 Charter amendment, to exceed the Charter Limit, requires 9 council votes.
 - Impact of Limit: If existing rates remained, additional revenues=\$170 million

Budget Process: Key Starting Decisions

1. Assumptions on economy and State aid
2. Tax and fee rates
3. Reserve levels (money set aside for emergencies)
4. Initial expenditure limits:
 - *Total, agency, and department* limits
 - Existing Services and commitments
5. Pay and workforce levels
6. Major new services/Expenditure Reductions
7. Priorities

Unified Fiscal System

- After initial top-down limits are set, then:



Summary: Operating Budget Process

- **Sept-December:** MCG Departments Prepare Submissions
- **December/January:** Agencies submit budgets to County Executive/Council
- **December – March:** OMB Reviews Submissions and Makes Recommendations to County Executive
- **March 15:** County Executive Transmits Budget to the County Council
- **Early April:** County Council Public Hearings
- **April – May:** County Council/Committees reviews budgets
- **By June 1:** County Council Approves Budget

Budget Process

- MARC – Maximum Agency Request Ceiling
 - Current Year Approved Budget
 - Future Fiscal Impacts
 - Annualize programs & positions from current year
 - Benefit cost increases
 - Salary increases: GWA/Increments
 - Operating Impacts of Capital Projects: Amount & Timing
 - Contract cost increases
 - Furloughs not assumed for FY12
 - Expenditure Reduction Target: 10-15% range
 - HHS MARC: \$179,563,240 (Exclusive of grants)
 - Operating Cost of new projects: School Based Health Centers
 - Contract annualizations: PIT, Cons. Corp
 - Grant Matches
 - Pre Target Reductions

Fiscal Update: Process

- Two Tiered Budget Submission
 - Maintenance Level in late October
 - Target Reductions in Late November
 - Expect in 10-15% Range
 - Impact by department to be determined based on
 - Latest revenue estimates
 - Refined expenditure projections
 - Priorities
 - Final Submissions in Late December

FY11 – What Happened ...

<u>November:</u>	FY10	FY11	\$ Change	% Change	
Resources	3,957.7	3,679.3	(278.4)	-7.0%	
Uses/Expenditures					
Non Operating	362.2	453.1	90.9	25.1%	Debt, CIP, Reserves
Operating	3,595.4	3,834.4	239.0	6.6%	All Agencies
					Fixed Costs: Personnel, Utilities,
Total	3,957.6	4,287.5	329.9	8.3%	Leases, Insurance
Gap		(608.2)			
<u>Dec-April</u>	Further Revenue Reductions	(294.6)			Income Tax, State Aid
	Snow Removal	(44.3)			Total over \$60 million
	Restore Reserve Levels	(24.6)			Back to 6% level
Total Gap To Resolve		(971.7)			

FY10 - Tax Supported Expenditures by Function

Tax Supported Expenditures Only	Appropriation	% of Total	Cum %	Workyears
MCPS	\$ 2,020,078,263	52.5%	52.5%	19,586.4
Public Safety	\$ 529,071,360	13.8%	66.3%	3,915.3
Debt Service	\$ 246,500,690	6.4%	72.7%	-
College	\$ 217,549,063	5.7%	78.3%	1,709.8
Health and Human Services	\$ 194,074,350	5.0%	83.4%	1,132.6
Transit	\$ 108,457,800	2.8%	86.2%	829.5
Transportation	\$ 46,573,220	1.2%	87.4%	295.7
Other Functions (Utilities, NDAs)	\$ 137,513,220	3.6%	91.0%	3.1
General Government	\$ 150,823,790	3.9%	94.9%	1,019.5
Libraries	\$ 37,569,400	1.0%	95.9%	384.9
Recreation	\$ 30,528,520	0.8%	96.7%	421.7
Community Development and Housing	\$ 13,547,470	0.4%	97.0%	81.3
Environment	\$ 3,013,960	0.1%	97.1%	19.3
MNCPPC	\$ 111,600,100	2.9%	100.0%	905.4
	\$ 3,846,901,206			30,304.5

Actions Taken to Close the Gap

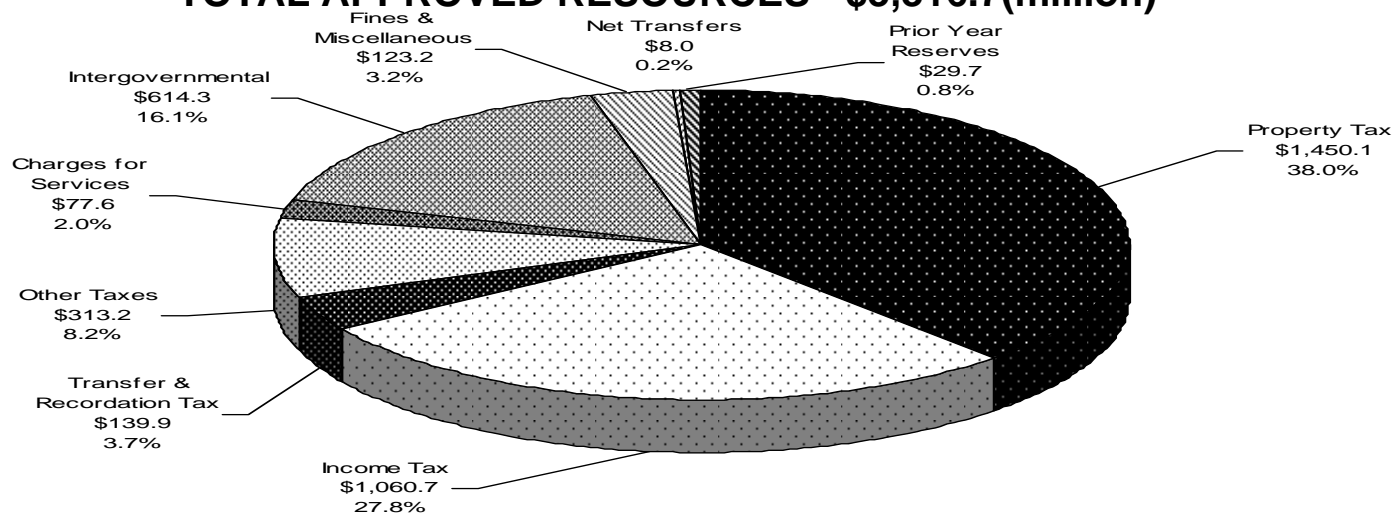
- Hiring Freeze effective January 3, 2008
- Procurement Freeze effective December 1, 2009
- Liquidation of selected outstanding contracts
- FY10 Savings Plan \$143 million
 - County Government: \$100.7 M
 - Public Schools: \$31.9 M.
 - Montgomery College: \$4.6 M.
 - MNCPPC: \$5.9 M.
- FY11 Targets for Montgomery County Dept's.
 - Non Public Safety: 20%
 - Public Safety/HHS/Transit: 7%
- Wage Freeze, Furloughs, Retiree Health Ins. Deferral
- Abolished over 450 positions
- State Approved Maintenance of Effort (MOE) Waiver \$137 M.
- Remained below Charter Limit on Property Taxes
- Telephone Tax Increase: 75%
- FY10/FY11 Energy Tax Incr.: 323%/155%; 480%/60%
- Reduced MCG TS Growth Rate to -7.0%
- Reduced Overall Growth Rate to -4.5%

Sample FY11 Reductions by Dept

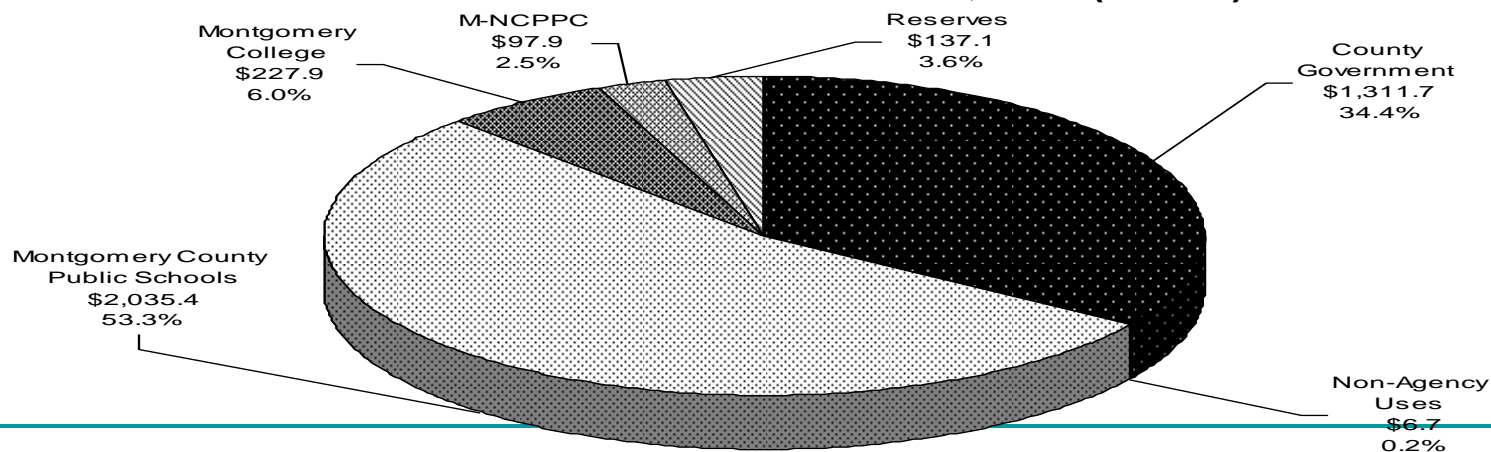
- College: -0.8%
- MCPS: -5.0%
- Transit: -3.8%
- Police: -6.5%
- Fire & Rescue: -5.6%
- HHS: -8.4%
- MNCPPC: -13.1%
- General Services: -14.2%
- Recreation: -15.2%
- Economic Dev: -17.6%
- Libraries: -23.2%
- Transportation: -23.9%
- Comm'n for Women: -26.4%
- Regional Services Ctr: -34.8%
- Back to FY01 budget levels: CFW, OHR, PIO, OMB, RSCs, DPL.
Several were close: HCA, DOT/DGS

FY11 TAX SUPPORTED AGENCIES AND FUNDS

WHERE THE MONEY COMES FROM TOTAL APPROVED RESOURCES - \$3,816.7(million)



WHERE THE MONEY GOES * TOTAL APPROVED USES OF FUNDS - \$3,816.7 (million)



*This total covers the full Operating Budget, and funds to the CIP, Debt Service, and Reserves. Of this amount \$3,655,857,722 is approved in the Operating Budget.

FY11 - Tax Supported Expenditures by Function

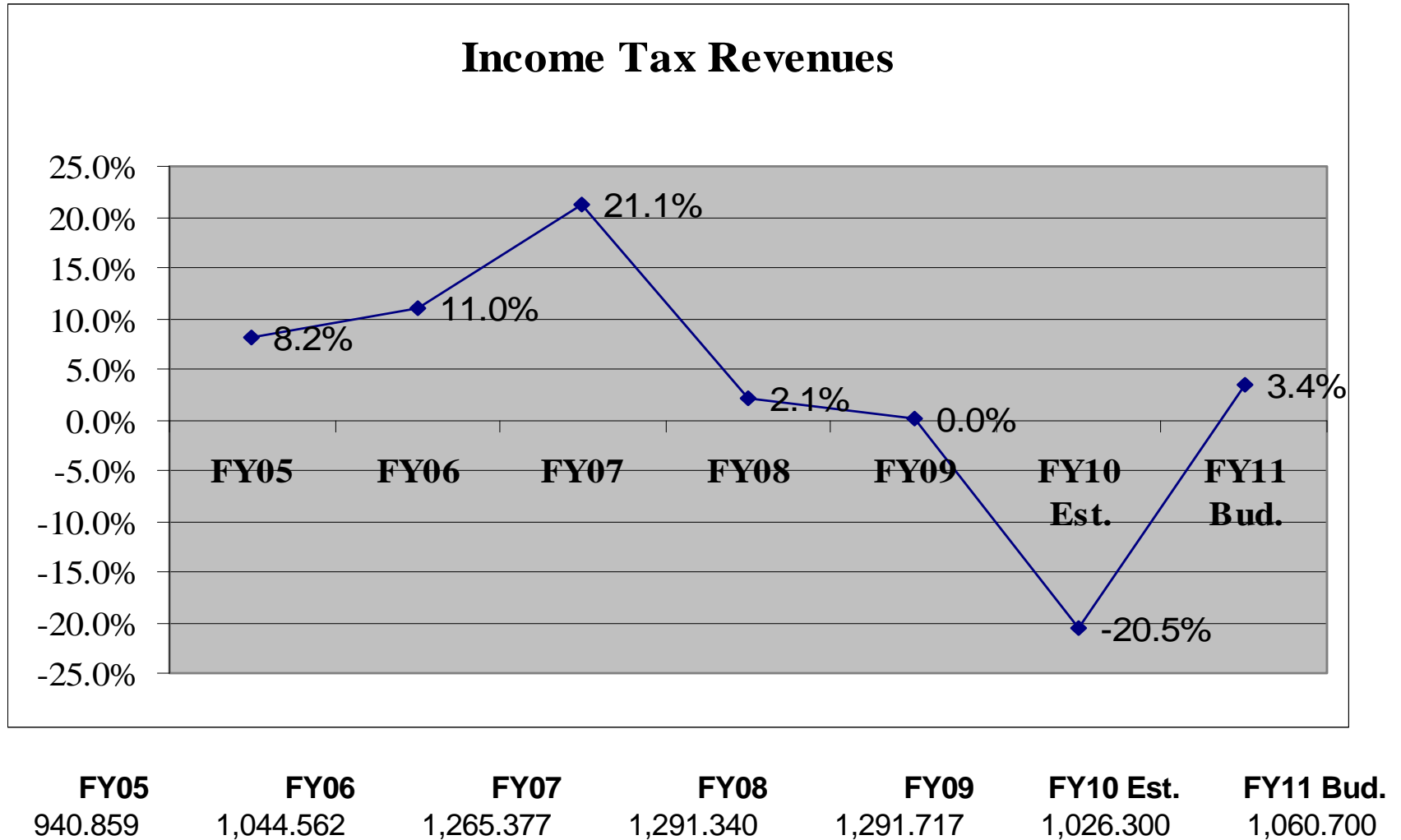
Tax Supported Expenditures Only	Appropriation	% of Total	Cum %	Workyears
MCPS	\$ 1,919,842,746	52.5%	52.5%	19,438.7
Public Safety	\$ 497,130,930	13.6%	66.1%	3,647.7
Debt Service	\$ 259,091,380	7.1%	73.2%	-
College	\$ 215,774,676	5.9%	79.1%	1,772.8
Health and Human Services	\$ 177,832,030	4.9%	84.0%	1,042.8
Transit	\$ 104,309,460	2.9%	86.8%	780.1
Transportation	\$ 35,464,960	1.0%	87.8%	252.2
Other Functions (Utilities, NDAs)	\$ 141,630,280	3.9%	91.7%	2.6
General Government	\$ 140,306,790	3.8%	95.5%	925.8
Libraries	\$ 28,851,080	0.8%	96.3%	289.3
Recreation	\$ 25,896,670	0.7%	97.0%	360.7
Community Development and Housing	\$ 10,186,840	0.3%	97.3%	61.4
Environment	\$ 1,947,210	0.1%	97.3%	11.6
MNCPPC	\$ 97,592,670	2.7%	100.0%	904.9
	\$ 3,655,857,722			29,490.6

HHS Programs

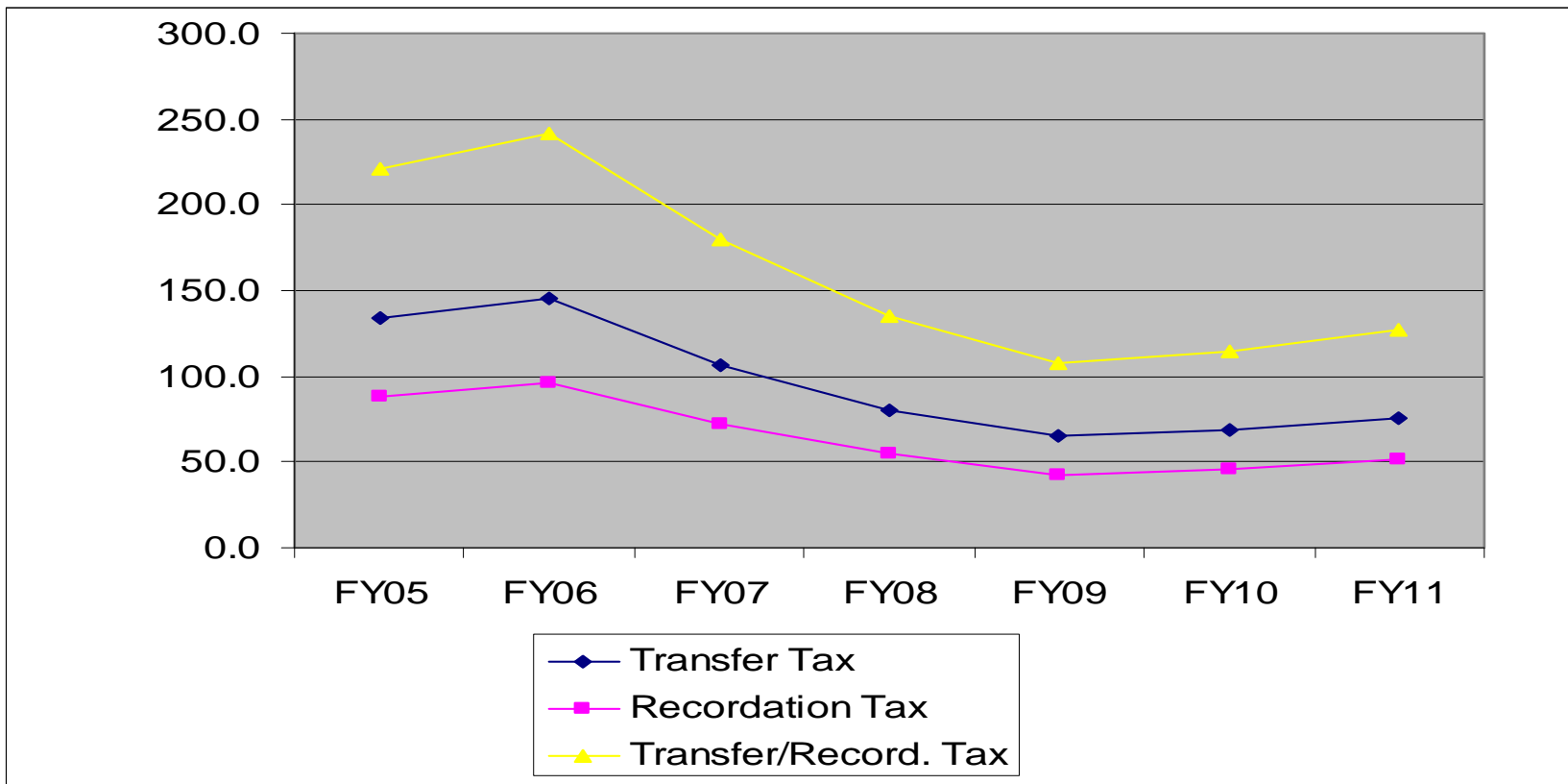
Health and Human Services	Budget	Staffing
Spending		
Aging and Disability Services	\$37,364,930	156.7
Behavioral Health and Crisis Services	\$37,746,910	196.2
Children, Youth, and Family Services	\$62,257,750	427.4
Public Health Services	\$70,130,490	534.5
Special Needs Housing	\$17,988,890	54.4
Administration and Support	\$25,480,020	116.6
TOTAL BUDGET	\$250,968,990	1,485.8
Funding		
Grant Funding (now includes Social Services Reimbursement)	\$73,769,440	443.0
Fees, Reimbursements, Formula funding, & Other Revenues	\$18,765,130	157.3
Local Funding	\$158,434,420	885.5

Historical Trends

Revenue Volatility: Income Taxes

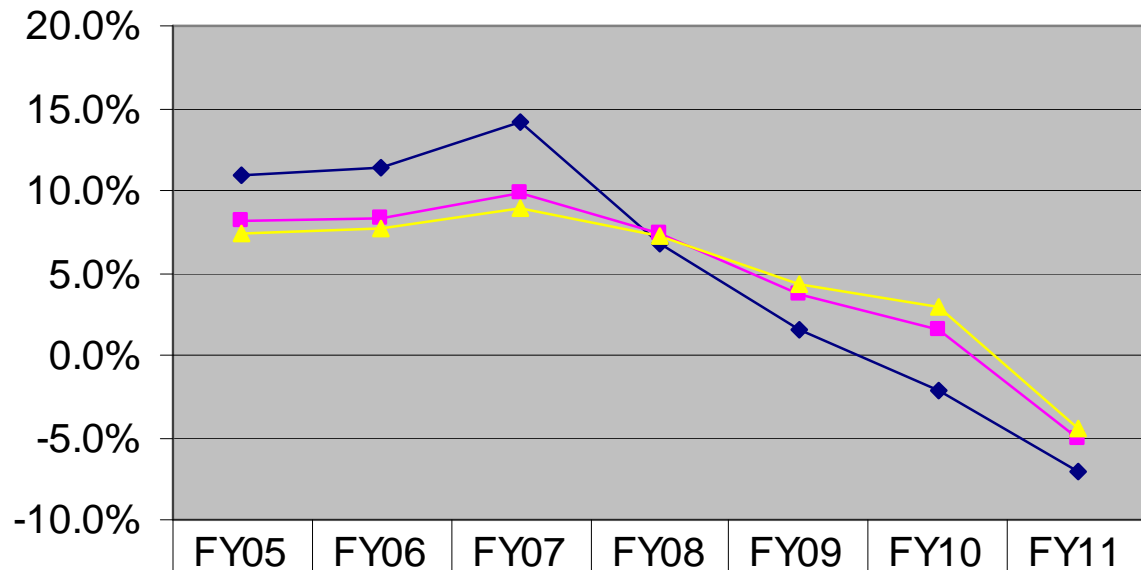


Revenue Volatility: Transfer & Recordation Taxes



	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Transfer Tax	133.7	145.5	106.9	80.4	64.8	68.7	75.7
Recordation Tax	87.6	96.2	72.7	54.7	42.4	46.1	51.0
Transfer/Record. Tax	221.3	241.7	179.6	135.0	107.2	114.8	126.7

Montgomery County Budget Growth Rates



◆ County Govt Tax Supported	FY05	FY06	FY07	FY08	FY09	FY10	FY11
	11.0%	11.4%	14.1%	6.7%	1.5%	-2.2%	-7.0%
■ County Tax Supported	8.1%	8.3%	9.8%	7.4%	3.7%	1.6%	-5.0%
▲ Total Budget	7.4%	7.7%	9.0%	7.2%	4.3%	3.0%	-4.5%

FYs 05-07 = 36.5%

FYs 08-11 = -1.0%

FY11-12 Outlook

FY12 MAJOR FISCAL PRESSURES

- Revenue Growth of 1.4% in FY11 and 2.9% in FY12
- Non Operating Expenditure/Uses Growth of 18.2% (Debt Service, Retiree Health, CIP, Reserves)
- Operating Expenditure Growth of 4.3%
- Total “Major Known Commitments”: \$145.3 M.
- Group Insurance, Pensions, and workers compensation: \$71 M.
- Restoring Furloughs: \$15 M.
- Restoring One Time Reductions: \$22 M.
- Operating Budget Impact of CIP: \$15 M.
- Pre-Funding Retiree Health Insurance: \$85 M.
- MKC’s Do not include Wage Increases

Fiscal Pressures TBD

- Outcome of Collective Bargaining: Wages, Benefits, and OPEB
- Emergency Medical Services Transport Fee Repeal
- FY11 Savings Plans
 - Council Action after the Election
- Storm/Snow Response
- General Assembly:
 - Teacher Pensions - \$160 M.
 - Other Local Aid Formulas
- Pace of Economic Recovery/Impact on Revenues

Fiscal Update: Strategies

- Recommendations from:
 - ❑ OLO Study of Structural Budget Deficit
 - ❑ Cross Agency Resource Sharing Committee
 - ❑ Organizational Reform Commission
- Expenditure Reduction Targets
 - ❑ Service/Program Reductions
 - ❑ Productivity Improvements
 - ❑ Other efficiencies
 - ❑ Avoid one-time solutions

FY12-16 Issues

- Retaining the AAA Bond Rating
- Maintaining Expenditures/Workforce/Services at sustainable levels
- Resident Expectations
- Addressing Deferred Maintenance: Roads, Facilities, IT
- Collective Bargaining: Wages & Benefits
- Priority Areas: Education, Public Safety, Safety Net
- New Council: Composition, Priorities, and Initiatives
- FY12 Solutions:
 - OLO Structural Budget Deficit
 - MC Organizational Reform Commission
 - Cross Agency Resource Sharing Committees
 - Other
- National and Regional Economy:
 - Status of Recovery
 - Employment

Opportunities for Public Input

- Website/eMail County Executive or County Council
 - www.montgomerycountymd.gov (contact us)
- Letters (September – January for County Executive’s Budget)
- CIP: Citizen Advisory Boards input, held in odd numbered years (July-Aug)
- County Executive Budget Forums – January 2011
(Dates and locations to be announced.) Times: 7 PM to 9 PM)
- County Council public hearings
 - Capital Budget – early February 2011
 - Operating Budget – early April 2011